

**REPORT OF THE AUDIT OF THE
ROWAN COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2015**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**

EXECUTIVE SUMMARY

AUDIT OF THE
ROWAN COUNTY FISCAL COURT

June 30, 2015

The Auditor of Public Accounts has completed the audit of the Rowan County Fiscal Court for fiscal year ended June 30, 2015.

We have issued an unmodified opinion, based on our audit on the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Rowan County Fiscal Court. In accordance with OMB Circular A-133, we have issued an unmodified opinion on the compliance requirements that are applicable to Rowan County's major federal program: Community Development Block Grant/State's Program (CFDA #14.228).

Financial Condition:

The Rowan County Fiscal Court had total receipts of \$12,508,929 and disbursements of \$11,174,100 in fiscal year 2015. This resulted in a total ending fund balance of \$2,293,164, which is an increase of \$1,334,829 from the prior year.

Deposits:

The fiscal court deposits were insured and collateralized by bank securities.

<u>CONTENTS</u>	PAGE
INDEPENDENT AUDITOR’S REPORT.....	1
ROWAN COUNTY OFFICIALS	4
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS	6
NOTES TO FINANCIAL STATEMENT	10
BUDGETARY COMPARISON SCHEDULES	25
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES	33
SCHEDULE OF CAPITAL ASSETS	37
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - SCHEDULE OF CAPITAL ASSETS	38
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	41
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	42
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	45
REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	49
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	53
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary

Finance and Administration Cabinet

Honorable Walter "Doc" Blevins, Rowan County Judge/Executive

Members of the Rowan County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Rowan County Fiscal Court, for the year ended June 30, 2015, and the related notes to the financial statement which collectively comprise the Rowan County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Audit Guide for Fiscal Court Audits* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



To the People of Kentucky
Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
Honorable Walter "Doc" Blevins, Rowan County Judge/Executive
Members of the Rowan County Fiscal Court

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described more fully in Note 1, the financial statement is prepared by Rowan County, Kentucky on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Rowan County Fiscal Court as of June 30, 2015, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of Rowan County, Kentucky as of June 30, 2015, and its cash receipts and disbursements, for the year then ended, in accordance with the accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of Rowan County Fiscal Court. The budgetary comparison schedules, capital asset schedule, and the Schedule of Expenditures of Federal Awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the financial statement, however they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

The accompanying budgetary comparison schedules, capital asset schedule, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules, capital asset schedule, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statement as a whole.

To the People of Kentucky
Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
Honorable Walter "Doc" Blevins, Rowan County Judge/Executive
Members of the Rowan County Fiscal Court

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2016 on our consideration of Rowan County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rowan County Fiscal Court's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike H", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

April 11, 2016

ROWAN COUNTY OFFICIALS

For The Year Ended June 30, 2015

Fiscal Court Members:

Walter "Doc" Blevins	County Judge/Executive
Ray White	Magistrate
Darrell Glover	Magistrate
Stanley Messer	Magistrate
Charlie Winkleman	Magistrate

Other Elected Officials:

Cecil Watkins	County Attorney
Wes Coldiron	Jailer
Kim Davis	County Clerk
Jim Barker	Circuit Court Clerk
Matt Sparks	Sheriff
Carmen Eldridge-Black	Property Valuation Administrator
John P. Northcutt	Coroner

Appointed Personnel:

Kerry M. Jessee	County Treasurer
Joan Becraft	Occupational Tax Collector

ROWAN COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2015

ROWAN COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2015

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 4,977,900	\$ 126,363	\$
In Lieu Tax Payments	97,780		
Excess Fees	167,473		
Licenses and Permits	109,944		
Intergovernmental	669,929	1,915,450	392,868
Charges for Services			158,386
Miscellaneous	89,465	14,051	17,932
Interest	3,232	2,468	81
Total Receipts	<u>6,115,723</u>	<u>2,058,332</u>	<u>569,267</u>
DISBURSEMENTS			
General Government	1,482,520		
Protection to Persons and Property	274,796		1,201,658
General Health and Sanitation	289,636		
Social Services	16,870		
Recreation and Culture	140,473		
Roads	10,000	1,780,659	
Bus Services	20,656	22,983	
Debt Service	66,593	441,672	
Capital Projects	31,515		15,740
Administration	1,023,633		297,844
Total Disbursements	<u>3,356,692</u>	<u>2,245,314</u>	<u>1,515,242</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>2,759,031</u>	<u>(186,982)</u>	<u>(945,975)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds		85,000	950,000
Transfers To Other Funds	(1,349,764)		
Total Other Adjustments to Cash (Uses)	<u>(1,349,764)</u>	<u>85,000</u>	<u>950,000</u>
Net Change in Fund Balance	1,409,267	(101,982)	4,025
Fund Balance - Beginning (Restated)	605,102	178,516	25,933
Fund Balance - Ending	<u>\$ 2,014,369</u>	<u>\$ 76,534</u>	<u>\$ 29,958</u>
Composition of Fund Balance			
Bank Balance	\$ 2,034,884	\$ 76,680	\$ 33,689
Less: Outstanding Checks	(20,515)	(146)	(3,731)
Fund Balance - Ending	<u>\$ 2,014,369</u>	<u>\$ 76,534</u>	<u>\$ 29,958</u>

The accompanying notes are an integral part of the financial statement.

ROWAN COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2015
(Continued)

Budgeted Funds					Unbudgeted Funds
Local Government Economic Assistance Fund	State Grants Fund	Federal Grants Fund	Ambulance Fund	Forest Fire Fund	Public Properties Corporation Fund
\$	\$	\$	\$	\$ 1,078	\$
67,696	13,000	1,054,272	212,400		900,067
			1,459,968		
			14,076		
186			253		
67,882	13,000	1,054,272	1,686,697	1,078	900,067
		64,272			
	6,883		1,089,488	2,551	
			73,463		1,124,729
115,041		990,000			26,023
			521,019		2,200
115,041	6,883	1,054,272	1,683,970	2,551	1,152,952
(47,159)	6,117		2,727	(1,473)	(252,885)
			80,000	1,500	233,264
			80,000	1,500	233,264
(47,159)	6,117		82,727	27	(19,621)
82,408	13,603		28,311	23	19,621
\$ 35,249	\$ 19,720	\$ 0	\$ 111,038	\$ 50	\$ 0
\$ 35,249	\$ 19,720	\$	\$ 111,679	\$ 50	\$
			(641)		
\$ 35,249	\$ 19,720	\$ 0	\$ 111,038	\$ 50	\$ 0

The accompanying notes are an integral part of the financial statement.

ROWAN COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2015
(Continued)

	Unbudgeted Funds	
	Jail Commissary Fund	Total Funds
RECEIPTS		
Taxes	\$	\$ 5,105,341
In Lieu Tax Payments		97,780
Excess Fees		167,473
Licenses and Permits		109,944
Intergovernmental		5,225,682
Charges for Services		1,618,354
Miscellaneous	42,611	178,135
Interest		6,220
Total Receipts	42,611	12,508,929
DISBURSEMENTS		
General Government		1,546,792
Protection to Persons and Property		2,568,493
General Health and Sanitation		296,519
Social Services		16,870
Recreation and Culture	41,183	181,656
Roads		1,790,659
Bus Services		43,639
Debt Service		1,706,457
Capital Projects		1,178,319
Administration		1,844,696
Total Disbursements	41,183	11,174,100
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	1,428	1,334,829
Other Adjustments to Cash (Uses)		
Transfers From Other Funds		1,349,764
Transfers To Other Funds		(1,349,764)
Total Other Adjustments to Cash (Uses)		
Net Change in Fund Balance	1,428	1,334,829
Fund Balance - Beginning (Restated)	4,818	958,335
Fund Balance - Ending	\$ 6,246	\$ 2,293,164
Composition of Fund Balance		
Bank Balance	\$ 6,807	\$ 2,318,758
Less Outstanding Checks	(561)	(25,594)
Ending Fund Balance	\$ 6,246	\$ 2,293,164

The accompanying notes are an integral part of the financial statement.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	10
NOTE 2.	DEPOSITS.....	13
NOTE 3.	TRANSFERS	14
NOTE 4.	AGENCY TRUST FUNDS.....	14
NOTE 5.	LONG-TERM DEBT.....	14
NOTE 6.	EMPLOYEE RETIREMENT SYSTEM	18
NOTE 7.	DEFERRED COMPENSATION	20
NOTE 8.	HEALTH REIMBURSEMENT ACCOUNT	20
NOTE 9.	INSURANCE	20
NOTE 10.	SUBSEQUENT EVENTS.....	20
NOTE 11.	CONDUIT DEBT	20
NOTE 12.	PRIOR PERIOD ADJUSTMENTS.....	21
NOTE 13.	COMMITMENTS AND CONTINGENCIES	21

ROWAN COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2015

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Rowan County includes all budgeted and unbudgeted funds under the control of the Rowan County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities, private purpose trust funds and internal service funds that are within the county's control. Unbudgeted funds may also include any corporation to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

B. Basis of Accounting

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

ROWAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Road Fund - This fund is for road and bridge construction and repair. The primary sources of receipts for this fund are state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

State Grants Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state.

Federal Grants Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are federal grants.

Ambulance Fund - The primary purpose of this fund is to account for the dispatch expense of the county. The primary sources of receipts for this fund are grants from the state.

Forest Fire Fund - The primary purpose of this fund is to account for some emergency equipment expenses of the county. The primary sources of receipts for this fund are federal and state grants.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Public Properties Corporation Fund - The primary purpose of this fund is to account for the proceeds and debt service of revenue bonds that were issued to fund construction of public buildings.

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit and to enhance the well-being of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Commissary Fund.

ROWAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Jail Commissary Fund to be budgeted because the fiscal court does not approve the expenses of this fund.

The State Local Finance Officer does not require the Public Properties Corporation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

E. Rowan County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Rowan County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of Rowan County Fiscal Court.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

ROWAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The government's fund balance includes cash and cash equivalents and investments.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

G. Long-term Obligations

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

Note 2. Deposits

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1) (d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2015, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

ROWAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2015.

	General Fund	Total Transfers In
Road Fund	\$ 85,000	\$ 85,000
Jail Fund	950,000	950,000
Ambulance Fund	80,000	80,000
Forest Fire Fund	1,500	1,500
Public Properties Corporation Fund	233,264	233,264
Total Transfers Out	<u>\$ 1,349,764</u>	<u>\$ 1,349,764</u>

Reason for transfers:

To move resources from the General Fund, for budgetary purposes, to the funds that will expend them.

Note 4. Agency Trust Funds

Trust funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments.

The fiscal court has the following agency trust fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the Jail Inmate Fund as of June 30, 2015 was \$23,456.

Note 5. Long-term Debt

A. First Mortgage Revenue Bonds – Judicial Building

On July 1, 2009, Rowan County issued \$12,080,000 of first mortgage revenue bonds for the construction of a judicial building. The bonds require the semiannual interest and principal payments be made on February 1 and August 1 of each year commencing on February 1, 2010. One principal payment will be due on August 1 of each year commencing August 1, 2011. The agreement has a variable interest rate of 2.00 to 4.25 percent. The bonds will mature August 1, 2028. As of June 30, 2015, the principal amount outstanding was \$9,590,000. Payments for the remaining years are:

Fiscal Year Ended June 30	Principal	Interest
2016	\$ 535,000	\$ 362,692
2017	550,000	346,418
2018	570,000	329,048
2019	590,000	309,898
2020	610,000	288,888
2021-2025	3,420,000	1,063,467
2026-2029	3,315,000	289,531
Totals	<u>\$ 9,590,000</u>	<u>\$ 2,989,942</u>

ROWAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 5. Long-term Debt (Continued)

B. First Mortgage Revenue Bonds – Administrative Building

On January 5, 2010, Rowan County issued \$3,995,000 of general obligation bonds for the building of a new administration building. The bonds require the semiannual interest and principal payments be made on June 1 and December 1 of each year commencing on June 1, 2010. One principal payment will be due on December 1 of each year commencing December 1, 2011. The agreement has a variable interest rate of 1.75 to 4.625 percent. The bonds will mature December 1, 2029. As of June 30, 2015, the principal amount outstanding was \$1,975,000. Payments for the remaining years are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 95,000	\$ 83,031
2017	100,000	79,858
2018	105,000	76,190
2019	110,000	72,077
2020	115,000	67,631
2021-2025	645,000	259,828
2026-2030	805,000	96,456
Totals	<u>\$ 1,975,000</u>	<u>\$ 735,071</u>

C. General Obligation Bonds – Old Courthouse Renovation

On October 11, 2006, Rowan County issued \$675,000 of general obligation improvement bonds for the renovation of the old courthouse. The bonds require the semiannual interest and principal payments to be made on May 1 and November 1 of each year commencing on November 1, 2007. The agreement has interest rate of 4.2 percent. The bonds will be paid in full through the general obligation bond issue (Note D) as of November 1, 2016. As of June 30, 2015, the principal amount outstanding was \$60,000. Payments for the remaining years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 30,000	\$ 1,890
2017	30,000	630
Totals	<u>\$ 60,000</u>	<u>\$ 2,520</u>

D. General Obligation Bonds – Old Courthouse Refinance

On April 24, 2013, Rowan County issued \$1,190,000 of general obligation refunding bonds for the refinancing of the old courthouse renovation bonds and old courthouse restoration lease. The bonds require semiannual interest and principal payments to be made on November 1 and May 1 of each year, commencing on November 1, 2013. The agreement has a variable interest rate of 1.0 to 2.65 percent. The bonds will mature November 1, 2026. As of June 30, 2015, the principal amount outstanding was \$1,140,000. Payments for the remaining years are:

ROWAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 5. Long-term Debt (Continued)

D. General Obligation Bonds – Old Courthouse Refinance (Continued)

Fiscal Year Ended June 30	Principal	Interest
2016	\$ 75,000	\$ 20,528
2017	75,000	19,778
2018	110,000	18,853
2019	105,000	17,777
2020	110,000	16,345
2021-2025	580,000	47,025
2026-2027	85,000	2,319
Totals	<u>\$ 1,140,000</u>	<u>\$ 142,625</u>

E. Financing Obligation – Old Courthouse Restoration Project

On March 1, 2005, Rowan County entered into a \$1,000,000 lease agreement with the Kentucky Area Development Districts Financing Trust for restoration and renovation of the Old Rowan County Courthouse. This lease requires semiannual interest and principal payments be made on March 1 and September 1 of each year, commencing on September 1, 2005. The agreement has a variable interest rate of 2.2 to 5.3 percent. The lease will be paid in full through the general obligation bond issue (Note D). As of June 30, 2015, the principal amount outstanding was paid in full.

F. Financing Obligation – Dump Trucks

In March 2009, Rowan County entered into a \$153,700 lease agreement with Kentucky Association of Counties Leasing Trust for the purchase of dump trucks. The lease requires monthly interest and principal payments to be made commencing August 20, 2009. The agreement has a variable interest rate. As of June 30, 2015, the principal amount outstanding was \$43,228. Payments for the remaining years are as follows:

Fiscal Year Ended June 30	Principal	Interest
2016	\$ 21,210	\$ 1,679
2017	22,018	771
Totals	<u>\$ 43,228</u>	<u>\$ 2,450</u>

G. Financing Obligation – Administration Building Completion

On July 13, 2011, Rowan County entered into a \$154,914 lease agreement with Fifth Third Bank to finish the construction of the new administration building. The lease requires annual interest and principal payments to be made on February 1 and August 1 of each year commencing February 1, 2012. The agreement has an interest rate of 3.42%. As of June 30, 2015, the principal amount outstanding was \$108,475. Payments for the remaining years are as follows:

ROWAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 5. Long-term Debt (Continued)

G. Financing Obligation – Administration Building Completion (Continued)

Fiscal Year Ended June 30	Principal	Interest
2016	\$ 16,569	\$ 3,238
2017	17,146	2,655
2018	17,742	2,051
2019	18,360	1,427
2020	18,998	781
2021	19,660	112
Totals	<u>\$ 108,475</u>	<u>\$ 10,264</u>

H. Financing Obligation - Ambulances

On August 9, 2012, Rowan County entered into a \$337,915 lease agreement with Kentucky Association of Counties Leasing Trust for the purchase of ambulances. The lease requires semiannual interest and principal payments to be made commencing January 20, 2013. The agreement has a fixed interest rate of 2.64%. As of June 30, 2015, the principal amount outstanding was \$174,444. Payments for the remaining years are as follows:

Fiscal Year Ended June 30	Principal	Interest
2016	\$ 68,408	\$ 4,787
2017	70,226	2,694
2018	35,810	544
Totals	<u>\$ 174,444</u>	<u>\$ 8,025</u>

I. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2015, was as follows:

	Beginning Balance (Restated)	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$ 12,180,000	\$	\$ 615,000	\$11,565,000	\$ 630,000
General Obligation Bonds	1,255,000		55,000	1,200,000	105,000
Financing Obligations	442,919		116,772	326,147	106,187
Total Long-term Debt	<u>\$ 13,877,919</u>	<u>\$ 0</u>	<u>\$ 786,772</u>	<u>\$13,091,147</u>	<u>\$ 841,187</u>

ROWAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 6. Employee Retirement System

A. Plan Description

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan that covers all eligible regular full-time members employed in non-hazardous *and hazardous duty* positions in the county. The Plan provides for retirement, disability and death benefits to plan members. Retirement benefits may be extended to beneficiaries of the plan members under certain circumstances. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute six percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 17.67 percent.

Hazardous covered employees are required to contribute eight percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute nine percent of their salary to be allocated as follows: eight percent will go to the member's account and one percent will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 34.31 percent.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute five percent (nonhazardous) and eight percent (hazardous) of their annual creditable compensation and one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a four percent (nonhazardous) and seven and one-half percent (hazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

The county's contribution for FY 2013 was \$806,768, FY 2014 was \$818,334, and FY 2015 was \$726,490.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

CERS also provides post-retirement health care coverage as follows:

ROWAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 6. Employee Retirement System (Continued)

A. Plan Description (Continued)

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

B. Net Pension Liability

As promulgated by GASB Statement No. 68 the total pension liability for CERS was determined by an actuarial valuation as of June 30, 2014. The total net pension liability for all employers participating in CERS was determined by an actuarial valuation as of June 30, 2014, measured as of the same date and is as follows: non-hazardous \$3,244,377,000 and hazardous \$1,201,825,000, for a total net pension liability of \$4,446,202,000 as of June 30, 2014. Based on these requirements, Rowan County's proportionate share of the net pension liability as of June 30, 2015 is:

	<u>June 30, 2014</u>	<u>June 30, 2015</u>
Hazardous	\$ 2,833,000	\$ 2,537,000
Non-Hazardous	<u>3,368,000</u>	<u>2,976,000</u>
Totals	<u>\$ 6,201,000</u>	<u>\$ 5,513,000</u>

The complete actuarial valuation report including all actuarial assumptions and methods is publically available on the website at www.kyret.ky.gov or can be obtained as described in the paragraph above.

ROWAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 7. Deferred Compensation

The Rowan County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 8. Health Reimbursement Account

The Rowan Fiscal Court established a health reimbursement account to provide employees an additional health benefit for employees that waive their health insurance coverage. The County has contracted with Wage Works, a third-party administrator, to administer the plan. The plan provides a debit card to each eligible employee providing \$2,500 each year to pay for qualified medical expenses.

Note 9. Insurance

For the fiscal year ended June 30, 2015, Rowan County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10. Subsequent Events

On August 25, 2015, the Rowan County Fiscal Court issued Bond Anticipation Notes in the amount of \$3,000,000. The proceeds of the notes will be used to finance the land purchase and construction of the new detention facility, and they mature on August 20, 2016.

Note 11. Conduit Debt

From time to time the county has issued bonds to provide financial assistance to St. Claire Regional Medical Center for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear the Rowan County Fiscal Court's name as issuer, the Fiscal Court has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the Fiscal Court nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement. As of June 30, 2015, there were two series of revenue bonds outstanding, with an aggregate principal amount payable of \$13,625,277.

ROWAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 12. Prior Period Adjustments

The beginning balance of the General Fund was restated and increased by \$140 due to prior year voided checks.

The beginning long-term debt balance for financing obligations was restated due to the following:

- Decreased by \$31,310 due to the financing obligation for the old courthouse restoration project being paid in advance by the General Obligation Escrow Account.
- Increased by \$893 due to a prior year error on the financing obligation for the administration building completion.

Note 13. Commitments and Contingencies

The County is involved in two lawsuits concerning marriage licenses. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the county cannot be made at this time.

THIS PAGE LEFT BLANK INTENTIONALLY

ROWAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

ROWAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 4,048,000	\$ 4,156,282	\$ 4,977,900	\$ 821,618
In Lieu Tax Payments	95,000	95,000	97,780	2,780
Excess Fees	51,274	167,470	167,473	3
Licenses and Permits	132,200	132,200	109,944	(22,256)
Intergovernmental	574,860	857,028	669,929	(187,099)
Miscellaneous	76,000	95,991	89,465	(6,526)
Interest	3,000	3,000	3,232	232
Total Receipts	4,980,334	5,506,971	6,115,723	608,752
DISBURSEMENTS				
General Government	1,452,559	1,717,445	1,482,520	234,925
Protection to Persons and Property	467,831	477,751	274,796	202,955
General Health and Sanitation	256,960	344,377	289,636	54,741
Social Services	22,000	22,000	16,870	5,130
Recreation and Culture	140,000	140,763	140,473	290
Airports	10,000	10,000	10,000	
Bus Services	20,656	20,656	20,656	
Debt Service	333,004	333,206	66,593	266,613
Capital Projects	2,000	34,039	31,515	2,524
Administration	1,108,432	1,138,565	1,023,633	114,932
Total Disbursements	3,813,442	4,238,802	3,356,692	882,110
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	1,166,892	1,268,169	2,759,031	1,490,862
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(1,536,687)	(1,536,687)	(1,349,764)	186,923
Total Other Adjustments to Cash (Uses)	(1,536,687)	(1,536,687)	(1,349,764)	186,923
Net Change in Fund Balance	(369,795)	(268,518)	1,409,267	1,677,785
Fund Balance - Beginning (Restated)	369,795	378,198	605,102	226,904
Fund Balance - Ending	\$ 0	\$ 109,680	\$ 2,014,369	\$ 1,904,689

ROWAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive Negative
	Original	Final		
RECEIPTS				
In Lieu Tax Payments	\$ 171,500	\$ 171,500	\$ 126,363	\$ (45,137)
Intergovernmental	1,839,050	1,948,435	1,915,450	(32,985)
Miscellaneous	2,000	15,541	14,051	(1,490)
Interest	1,000	2,404	2,468	64
Total Receipts	2,013,550	2,137,880	2,058,332	(79,548)
DISBURSEMENTS				
Roads	1,677,975	1,898,532	1,780,659	117,873
Debt Service	22,983	22,984	22,983	1
Administration	517,900	467,080	441,672	25,408
Total Disbursements	2,218,858	2,388,596	2,245,314	143,282
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
	(205,308)	(250,716)	(186,982)	63,734
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			85,000	85,000
Total Other Adjustments to Cash (Uses)			85,000	85,000
Net Change in Fund Balance				
	(205,308)	(250,716)	(101,982)	148,734
Fund Balance - Beginning	205,308	205,308	178,516	(26,792)
Fund Balance - Ending	\$ 0	\$ (45,408)	\$ 76,534	\$ 121,942

ROWAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 342,988	\$ 373,844	\$ 392,868	\$ 19,024
Charges for Services	166,500	174,908	158,386	(16,522)
Miscellaneous	21,000	21,000	17,932	(3,068)
Interest	100	100	81	(19)
Total Receipts	530,588	569,852	569,267	(585)
DISBURSEMENTS				
Protection to Persons and Property	1,210,222	1,321,413	1,201,658	119,755
Capital Projects	200,000	170,733	15,740	154,993
Administration	365,600	340,873	297,844	43,029
Total Disbursements	1,775,822	1,833,019	1,515,242	317,777
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,245,234)	(1,263,167)	(945,975)	317,192
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,237,234	1,237,234	950,000	(287,234)
Total Other Adjustments to Cash (Uses)	1,237,234	1,237,234	950,000	(287,234)
Net Change in Fund Balance	(8,000)	(25,933)	4,025	29,958
Fund Balance - Beginning	8,000	25,933	25,933	
Fund Balance - Ending	\$ 0	\$ 0	\$ 29,958	\$ 29,958

ROWAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 65,500	\$ 65,500	\$ 67,696	\$ 2,196
Interest	100	100	186	86
Total Receipts	65,600	65,600	67,882	2,282
DISBURSEMENTS				
Protection to Persons and Property	20,000	20,000		20,000
Capital Projects	85,600	128,008	115,041	12,967
Total Disbursements	105,600	148,008	115,041	32,967
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(40,000)	(82,408)	(47,159)	35,249
Net Change in Fund Balance	(40,000)	(82,408)	(47,159)	35,249
Fund Balance - Beginning	40,000	82,408	82,408	
Fund Balance - Ending	\$ 0	\$ 0	\$ 35,249	\$ 35,249

ROWAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

STATE GRANTS FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 10,500	\$ 10,500	\$ 13,000	\$ 2,500
Total Receipts	10,500	10,500	13,000	2,500
DISBURSEMENTS				
General Health and Sanitation	22,500	24,103	6,883	17,220
Total Disbursements	22,500	24,103	6,883	17,220
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(12,000)	(13,603)	6,117	19,720
Net Change in Fund Balance	(12,000)	(13,603)	6,117	19,720
Fund Balance - Beginning	12,000	13,603	13,603	
Fund Balance - Ending	\$ 0	\$ 0	\$ 19,720	\$ 19,720

ROWAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

FEDERAL GRANTS FUND				
		Actual		Variance with Final Budget Positive (Negative)
Budgeted Amounts		Amounts, (Budgetary		
Original	Final	Basis)		
RECEIPTS				
Intergovernmental	\$	\$ 1,000,000	\$ 1,054,272	\$ 54,272
Total Receipts		1,000,000	1,054,272	54,272
DISBURSEMENTS				
General Government		64,272	64,272	
Capital Projects		1,000,000	990,000	10,000
Total Disbursements		1,064,272	1,054,272	10,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
		(64,272)		64,272
Net Change in Fund Balance				
Fund Balance - Beginning		(64,272)		64,272
Fund Balance - Ending				
	\$ 0	\$ (64,272)	\$ 0	\$ 64,272

ROWAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

AMBULANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 198,000	\$ 212,400	\$ 212,400	\$
Charges for Services	1,250,000	1,250,000	1,459,968	209,968
Miscellaneous	1,000	15,075	14,076	(999)
Interest	25	25	253	228
Total Receipts	1,449,025	1,477,500	1,686,697	209,197
DISBURSEMENTS				
Protection to Persons and Property	1,121,463	1,157,963	1,089,488	68,475
Debt Service	73,463	73,463	73,463	
Administration	587,000	578,975	521,019	57,956
Total Disbursements	1,781,926	1,810,401	1,683,970	126,431
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(332,901)	(332,901)	2,727	335,628
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	297,901	297,901	80,000	(217,901)
Total Other Adjustments to Cash (Uses)	297,901	297,901	80,000	(217,901)
Net Change in Fund Balance	(35,000)	(35,000)	82,727	117,727
Fund Balance - Beginning	35,000	35,000	28,311	(6,689)
Fund Balance - Ending	\$ 0	\$ 0	\$ 111,038	\$ 111,038

ROWAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

FOREST FIRE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,000	\$ 1,000	\$ 1,078	\$ 78
Total Receipts	1,000	1,000	1,078	78
DISBURSEMENTS				
Protection to Persons and Property	2,552	2,552	2,551	1
Total Disbursements	2,552	2,552	2,551	1
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,552)	(1,552)	(1,473)	79
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,552	1,552	1,500	(52)
Total Other Adjustments to Cash (Uses)	1,552	1,552	1,500	(52)
Net Change in Fund Balance			27	27
Fund Balance - Beginning			23	23
Fund Balance - Ending	\$ 0	\$ 0	\$ 50	\$ 50

ROWAN COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2015

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

THIS PAGE LEFT BLANK INTENTIONALLY

ROWAN COUNTY
SUPPLEMENTARY SCHEDULE
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015

ROWAN COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

The fiscal court reports the following schedule of capital assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 5,224,111	\$	\$	\$ 5,224,111
Buildings	20,812,954	26,023		20,838,977
Machinery and Equipment	2,671,247	33,174		2,704,421
Vehicles	1,580,959	206,531		1,787,490
Infrastructure	5,366,571	788,355		6,154,926
 Total Capital Assets	 <u>\$ 35,655,842</u>	 <u>\$ 1,054,083</u>	 <u>\$ 0</u>	 <u>\$36,709,925</u>

ROWAN COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - SCHEDULE OF CAPITAL ASSETS

June 30, 2015

Note 1. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50

ROWAN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**ROWAN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Fiscal Year Ended June 30, 2015

Federal Grantor CFDA #	Program Title	Pass-Through Grantor's Number	Expenditures	Provided to Subrecipient
<u>U.S. Department of Agriculture</u>				
<i>Passed-through State Department for USDA Rural Development:</i>				
10.433	Rural Housing Preservation Grants	Not Available	\$ 50,000	\$
Total U.S. Department of Agriculture			<u>\$ 50,000</u>	<u>\$ 0</u>
<u>U. S Department of Housing and Urban Development</u>				
<i>Passed-Through State Department for Local Government:</i>				
14.228	Community Development Block Grant/State's Program	14-007 *	\$ 990,000	\$ 970,000
Total U.S. Department of Housing and Urban Development			<u>\$ 990,000</u>	<u>\$ 970,000</u>
<u>U.S. Department of Homeland Security</u>				
<i>Passed-Through State Department of Military Affairs:</i>				
97.039	Hazard Mitigation Grant	PNO209513000000093	\$ 8,390	\$
97.042	Emergency Management Performance Grants	PO20951400003351	5,431	
Total U.S. Department of Homeland Security			<u>\$ 13,821</u>	<u>\$ 0</u>
Total Expenditures of Federal Awards			<u>\$ 1,053,821</u>	<u>\$ 970,000</u>

* Tested as Major Program or Cluster

ROWAN COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2015

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Rowan County, Kentucky and is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Note 2 - Determination of Major Program

The Type A program for the fiscal year is any program for which total expenditures of federal awards exceed \$300,000 for fiscal year 2015 or were deemed high risk. The major program tested was Community Development Block Grant/State's Program (CFDA #14.228).

Note 3 - Noncash Expenditures

There were no noncash expenditures of federal awards for fiscal year 2015.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Walter "Doc" Blevins, Rowan County Judge/Executive
Members of the Rowan County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Rowan County Fiscal Court for the fiscal year ended June 30, 2015 and the related notes to the financial statement which collectively comprise the Rowan County Fiscal Court's financial statement and have issued our report thereon dated April 11, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Rowan County Fiscal Court's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Rowan County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Rowan County Fiscal Court's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Rowan County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike H", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

April 11, 2016

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Walter "Doc" Blevins, Rowan County Judge/Executive
Members of the Rowan County Fiscal Court

Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With OMB Circular A-133

Independent Auditor's Report

Report on Compliance for Each Major Federal Program

We have audited the Rowan County Fiscal Court's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Rowan County Fiscal Court's major federal programs for the year ended June 30, 2015. Rowan County Fiscal Court's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Rowan County Fiscal Court's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Rowan County Fiscal Court's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Rowan County Fiscal Court's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, the Rowan County Fiscal Court complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.



Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With OMB Circular A-133
(Continued)

Report on Internal Control over Compliance

Management of the Rowan County Fiscal Court is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Rowan County Fiscal Court's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Rowan County Fiscal Court's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal flourish extending to the right.

Mike Harmon
Auditor of Public Accounts

April 11, 2016

ROWAN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2015

ROWAN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2015

Section I: Summary of Auditor's Results

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Are any material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are any significant deficiencies identified not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Is any noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Federal Awards

Type of auditor's report issued on compliance for major programs: Unmodified

Internal control over major programs:

Are any material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are any significant deficiencies identified not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Are any audit findings disclosed that are required to be reported in accordance with <u>U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, Section .510(a)</u> ?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Identification of major programs:

CFDA Numbers and Name of Federal Program or Cluster

14.228 Community Development Block Grant/State's Program
--

Enter the dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Is the auditee qualified as a low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

ROWAN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2015
(Continued)

Section II: Findings - Financial Statement Audit

None.

Section III: Findings And Questioned Costs - Major Federal Awards Program Audit

None.

Section IV: Summary Schedule of Prior Audit Findings

None.

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

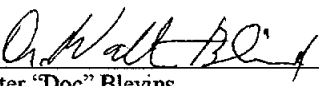
ROWAN COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2015**

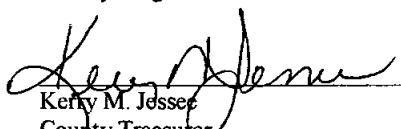
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
ROWAN COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2015

The Rowan County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Walter "Doc" Blevins
County Judge/Executive



Kerby M. Jesse
County Treasurer

